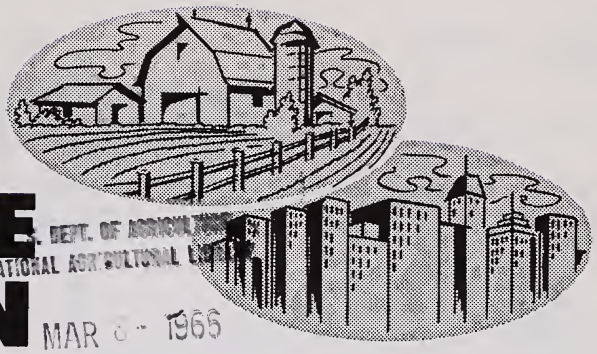
Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

Reserve
1.9
EC 752 P.a

DEMAND AND PRICE SITUATION



U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY
MAR 8 - 1966
CURRENT SERIAL RECORDS

DPS-107 For Release February 10, A. M. FEBRUARY 1966

IN THIS ISSUE

- AGRICULTURAL ECONOMIC SITUATION
- FACTORS AFFECTING FARM PRODUCT DEMAND
- FOREIGN TRADE
- FEDERAL BUDGET FOR 1966-67
- CURRENT COMMODITY SITUATION

Published quarterly by
ECONOMIC RESEARCH SERVICE

U. S. DEPARTMENT OF AGRICULTURE

Table 1.--Economic factors affecting agriculture

Item	Unit or base period	1964	1965				
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production 1/ 2/	1957-59=100	132	138	143	144	146	148
Final products	do.	132	138	143	145	147	148
Consumer goods	do.	132	138	141	141	143	144
Autos	do.	151	183	178	181	183	182
Equipment, including defense	do.	132	138	149	154	156	157
Materials	do.	133	138	144	144	146	149
Construction: 3/ 4/							
Total outlays	Mil. dol.	65,817	66,178	69,311	67,616	69,349	69,330
Public construction	Mil. dol.	19,926	20,494	21,243	19,772	21,304	20,936
Private residential	Mil. dol.	26,507	25,953	26,413	26,343	26,195	26,239
Housing starts, private only	Thousands	1,557	1,610	1,453	1,411	1,537	1,746
Manufacturers' shipments, orders, and inventories: 2/ 3/							
Total shipments	Mil. dol.	37,129	39,318	40,173	40,548	41,447	---
Durable goods	Mil. dol.	19,231	20,559	20,924	21,146	21,610	---
Unfilled orders	Mil. dol.	57,044	57,044	62,699	63,993	64,810	---
Inventory stocks, book value 5/	Mil. dol.	62,944	62,944	66,267	66,642	67,079	---
Durable goods	Mil. dol.	38,412	38,412	41,300	41,523	41,807	---
Employment and wages: 2/ 6/							
Total civilian employment	Millions	70.4	71.0	72.2	72.5	72.8	73.4
Nonagricultural	do.	65.6	66.5	67.8	67.9	68.6	69.0
Unemployment	do.	3.9	3.7	3.3	3.3	3.2	3.1
Workweek in manufacturing	Hours	40.7	41.2	40.9	41.2	41.4	41.4
Hourly earnings in manufacturing, unadj.	Dollars	2.53	2.58	2.63	2.63	2.65	2.66
Income and spending:							
Personal income 3/ 4/	Bil. dol.	495.0	512.0	545.4	541.3	546.1	550.5
Consumer credit outstanding 1/ 5/	Mil. dol.	76,810	76,810	81,924	82,569	83,390	---
Automobile	Mil. dol.	24,521	24,521	27,555	27,766	27,976	---
Total retail sales 2/ 3/	Mil. dol.	21,802	21,661	23,774	23,959	24,013	24,303
Durable goods	Mil. dol.	7,093	6,695	7,789	7,838	7,927	8,112
Inventory stocks, book value 5/	Mil. dol.	31,130	31,130	33,045	33,296	33,533	---
Prices: 6/							
Wholesale prices, all commodities	1957-59=100	100.5	100.7	103.0	103.1	103.5	104.1
Commodities other than farm and food	do.	101.2	101.8	102.7	102.8	103.2	103.2
Farm products	do.	94.3	92.7	99.5	99.4	100.3	103.0
Foods processed	do.	101.0	100.8	106.7	106.9	107.6	109.4
Consumer price index, all items	do.	108.1	108.8	110.2	110.4	110.6	---
Food	do.	106.4	106.9	109.7	109.7	109.7	---
Prices received by farmers 7/	1910-14=100	236	234	250	248	248	259
Crops	do.	238	234	224	220	218	223
Livestock and products	do.	235	234	271	273	274	289
Prices paid, interest, taxes and wage rates 7/	1910-14=100	313	313	321	322	322	324
Family living items	do.	300	301	305	305	307	309
Production items	do.	270	269	277	276	276	278
Parity ratio 7/		76	75	78	77	77	80
Farm income and marketings: 7/							
Volume of farm marketings	1957-59=100	118	135	140	181	160	132
Cash receipts from farm marketings	Mil. dol.	36,899	3,479	3,903	4,923	4,287	3,700

Annual data for most of these items for years 1929, 1941, 1947, and 1951-64 appear on page 35 of the April 1965 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ Seasonally adjusted. 3/ U. S. Department of Commerce. 4/ Seasonally adjusted annual rates. 5/ End of year or month. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

THE DEMAND AND PRICE SITUATION

Approved by the Outlook and Situation Board, February 1, 1966

CONTENTS

	Page		Page
Summary	3	Current Commodity Situation (cont.)	
General Agricultural Situation	7	Crops	
Factors Affecting Demand for Farm Products	17	Wheat	31
Balance of Payments	24	Feed Grains	32
Current Commodity Situation	26	Oilseeds, Fats and Oils	33
Livestock and Products		Fruit	34
Meat Animals	26	Commercial Vegetables	35
Dairy Products	27	Potatoes and Sweetpotatoes	36
Poultry and Eggs	29	Dry Beans and Peas	36
Wool	30	Cotton	37
		Tobacco	38

*** SUMMARY ***

Agriculture entered 1966 with a generally improved supply-demand balance even though supplies were augmented by a record 1965 crop. Farm product prices and incomes were greatly improved during 1965 and further improvements are expected in 1966. Realized net farm income in 1965 is estimated at $14.1 billion, up from $12.9 billion realized in 1964. Cash receipts from livestock products increased $2 billion during 1965 as meat animal prices were about one-fifth higher than in 1964.

The sharp rise in net farm income last year resulted in a record high income per farm of about $4,200 in 1965--over 12½ percent above 1964.

Gross National Product rose $13 billion in the fourth quarter to $695 billion (annual rate) bringing the average for the year to $676 billion--7½ percent above 1964. With this high level of economic activity, consumer disposable income--income after taxes--averaged about 6.8 percent higher in 1965 and real income--income adjusted for price changes--increased over 5 percent. Per capita real income rose nearly 4 percent.

With rising income and population, food expenditures rose about 6 percent to $85 billion in 1965. Because food expenditures advanced less rapidly than disposable personal income, the percentage of income spent for food decline slightly to 18.2 percent.

The general price level increased in 1965; the consumer price index was up 1.7 percent. Wholesale prices increased 2 percent from 1964 to 1965. Higher farm commodity prices accounted for two-tenths of the rise in wholesale prices.

Table 2.--Agricultural prices, marketings, and income, 1964 to date

Item	Unit	1964	1965				
		IV	Year	I	II	III	IV	Year
Prices received by farmers	1910-14=100	235	236	238	250	251	252	248
Crops	1910-14=100	234	238	235	245	228	220	232
Livestock and products	1910-14=100	236	235	239	255	271	279	261
Prices paid, interest, taxes and wage rates	1910-14=100	313	313	318	322	322	323	321
Family living items	1910-14=100	301	300	303	306	306	307	306
Production items	1910-14=100	269	270	273	277	277	277	276
Parity ratio		75	76	75	78	78	78	77
Volume of farm marketings	1957-59=100	157	118	99	93	124	158	118
Crops	1957-59=100	198	119	84	63	131	200	120
Livestock and products	1957-59=100	127	117	111	114	119	126	117
Cash receipts from farm marketings 1/	Bil. dol.	12.3	36.9	7.9	7.9	10.1	13.0	38.9
Crops	Bil. dol.	6.9	17.1	3.1	2.7	4.5	6.8	17.1
Livestock and products	Bil. dol.	5.4	19.8	4.8	5.2	5.6	6.2	21.8
Farmers' realized net income 2/	Bil. dol.	13.1	12.9	12.5	14.8	14.5	14.4	14.1

1/ Seasonally adjusted annual rates are: 1964-IV, $36.7 billion. 1965-I, $36.7 billion; II, $39.5 billion; III, $39.3 billion; IV, $40.0 billion.

2/ Seasonally adjusted annual rates.

U. S. Department of Agriculture.

But the rise in farm commodity prices follows a 9 percent decline between 1958 and 1964 which contributed much to the stability of overall wholesale prices over this period. The index of commodity prices other than farm products and food rose 1.3 percent in 1965. Maintaining economic growth with relatively stable prices will be one of the major problems to be faced this year since all major sources of demand are expected to continue strong and output is approaching capacity for many industries.

Expanding demand for farm products and some curtailment of production of meat animals were largely responsible for a 5 percent rise in prices received by farmers in 1965. An 11 percent increase in livestock and product prices more than offset a 2½ percent decline in crop prices. Livestock prices continued higher through January 1966 and are expected to remain strong in coming months. While crop prices averaged below year-earlier levels in January, there were increases in wheat, feed grains, soybeans, and soybean product prices in recent months.

Prices paid by farmers, including interest, taxes and wage rates, averaged 321 (1910-14=100) for 1965, up 2½ percent from 1964. The parity ratio at 77, was up 1 point from the year before. The parity ratio, adjusted for direct payment to farmers, rose 2.5 percent to 82.

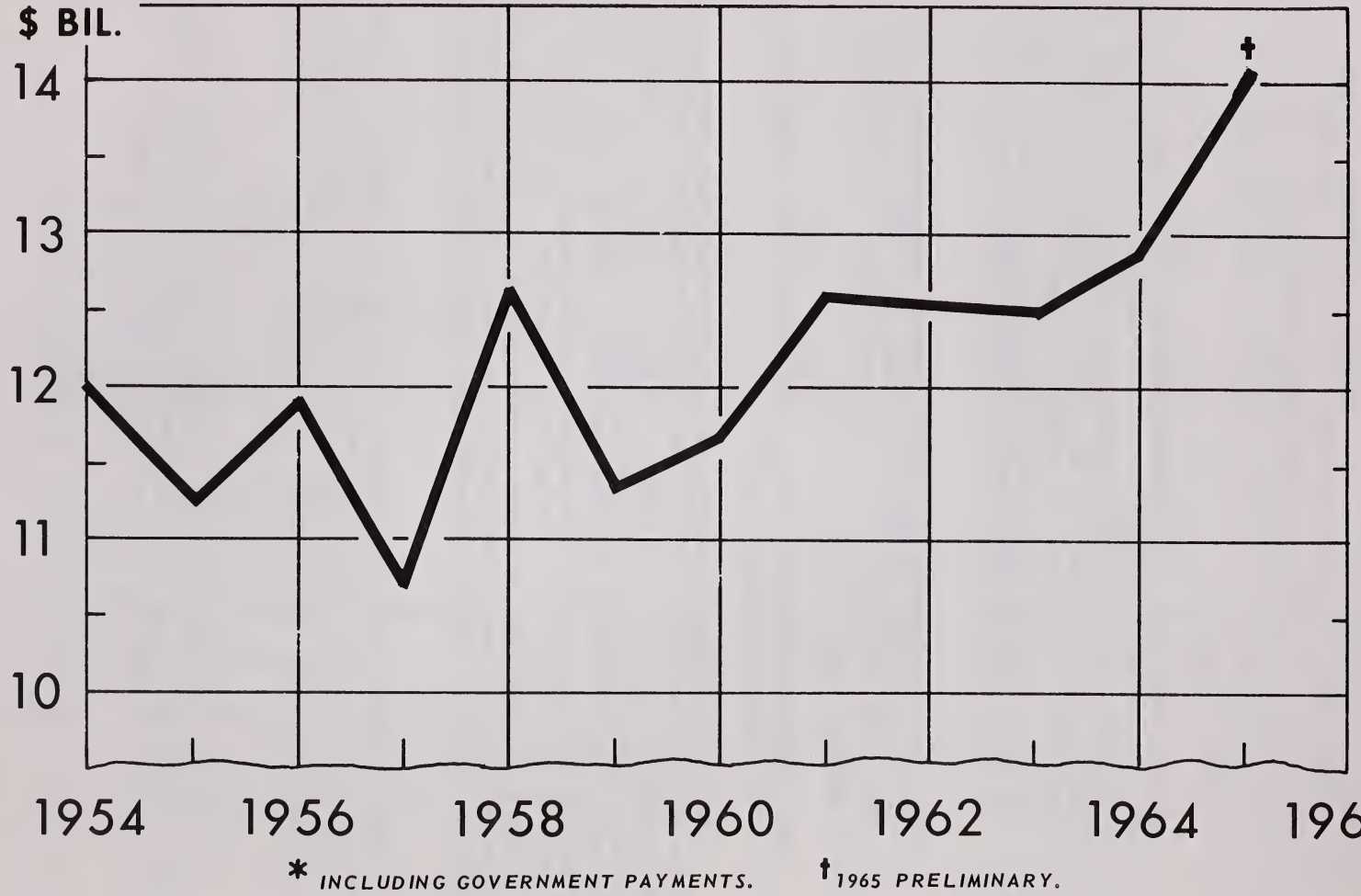
Farm production expenses rose 3.7 percent in 1965, resuming a long-term trend after declining slightly in 1964.

Farm output reached a new high in 1965 after holding steady in 1964, mainly as a result of more favorable weather and increased fertilizer use; harvested acreage was about the same as in 1964. Livestock production was off 1 percent. Meat animal production was down about 3½ percent in total, especially due to an 11 percent decline in pork production. Poultry production was up 6 percent and partially offset the decline in meat animal production. The production of dairy products was down about 1 percent. Crop output in 1965 was up 6 percent from 1964 due to higher yields primarily. Output of most crops increased with production of feed grains, soybeans, potatoes, and citrus fruit considerably higher. Tobacco and sugar crop output declined significantly in 1965.

Trends toward fewer farm workers on the Nation's farms continued in 1965. The annual average number of workers was 8 percent lower than in 1964. Farm wages rose faster than in recent years--up 5 percent in 1965--and faster than wages in manufacturing--up 3 percent. However, farm wages averaged only $0.95 per hour while wages in manufacturing were $2.61 per hour.

Nineteen sixty-five was another good year for U. S. agricultural exports. Total exports for the year were nearly equal to the 1964 record. Exports of soybeans, oilcake and meal, and feed grains increased significantly and about offset declines in wheat, cotton, dry beans, and dairy products.

REALIZED NET FARM INCOME*



* INCLUDING GOVERNMENT PAYMENTS.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 4012-66 (1) ECONOMIC RESEARCH SERVICE

Export prospects have become more favorable in recent months. During the July-December period exports totaled about 4 percent above total year-earlier levels. Exports are expected to continue larger in the coming months for wheat, feed grains and soybeans. Only cotton exports, among the major export commodities, are expected to be smaller.

Preliminary estimates indicate that U. S. balance of payments deficit (liquidity basis) narrowed substantially in 1965, possibly to one-half last year's deficit of $2.8 billion. Numerous factors contributed to the smaller deficit last year compared with 1964. Much of the improvement can be attributed to a sharp reduction in the outflow of U. S. private capital. Larger direct investments abroad in 1965 by U. S. corporations and a smaller balance of goods and services, however, offset some of the beneficial effects of the decline in short-term capital outflows. While the merchandise trade balance of the U. S. declined from 1964 to 1965, the agricultural trade balance was about stable at over $2 billion.

*** GENERAL AGRICULTURAL SITUATION ***

Farm prices and incomes were greatly improved in 1965 and there were solid reasons for expecting further improvements in 1966. Realized net farm income in 1965 is estimated at $14.1 billion, up sharply from the $12.9 billion realized in 1964. There was a $2 billion increase in cash receipts from marketings of livestock and livestock products during 1965 as prices averaged about 11 percent higher than in 1964 and marketings were about the same. Cash receipts from crop marketings were about the same in both 1964 and 1965. An increase of almost $300 million in direct payments to farmers was also a factor in boosting cash farm income during 1965.

Realized gross farm income last year reached a record high of $44.4 billion, up $2.2 billion from the 1964 level. However, production expenses also rose to over $30 billion in 1965, about $1 billion more than the year before.

Income Per Farm

The sharp rise in realized net farm income resulted in a record high income per farm, averaging close to $4,200 in 1965. This per farm income was about 40 percent higher than the $2,956 average for 1960. Also, the disposable personal income per capita of the farm population moved up sharply in 1965 to a record high of over $1,500, which was about 35 percent higher than 5 years earlier. The per capita disposable income of the farm population in 1965 is estimated at 63 percent of the income of the nonfarm population, compared with 55 percent in 1960.

Prices Received by Farmers Higher

Prices of farm products turned up in December 1965 and rose further in January 1966. Prices of most livestock and products were higher in January than in December. Broiler prices, which were up over 12 percent, rose the most despite substantially larger supplies than a year earlier. The index of livestock and livestock product prices rose more than 1 percent, from 289 to 293. Most crop prices, too, were up from December. Price advances were led by corn and soybeans. Price declines occurred for cotton, and a few minor crops.

In January, prices of livestock and livestock products were over 23 percent higher than a year earlier, while crop prices were down slightly more than $2\frac{1}{2}$ percent. Crop prices averaged lower mainly because of lower average prices for cotton and some citrus crops.

For 1965, prices received by farmers were over 5 percent above a year earlier and the highest since 1958. An 11 percent increase in livestock and product prices more than offset the 2.5 percent decline in crop prices. Declines in crop prices were led by citrus fruits, cotton, and food grains. Meat animal prices averaged about 18.5 percent higher for the year with a 40 percent increase in hog prices accounting for a large part of this increase.

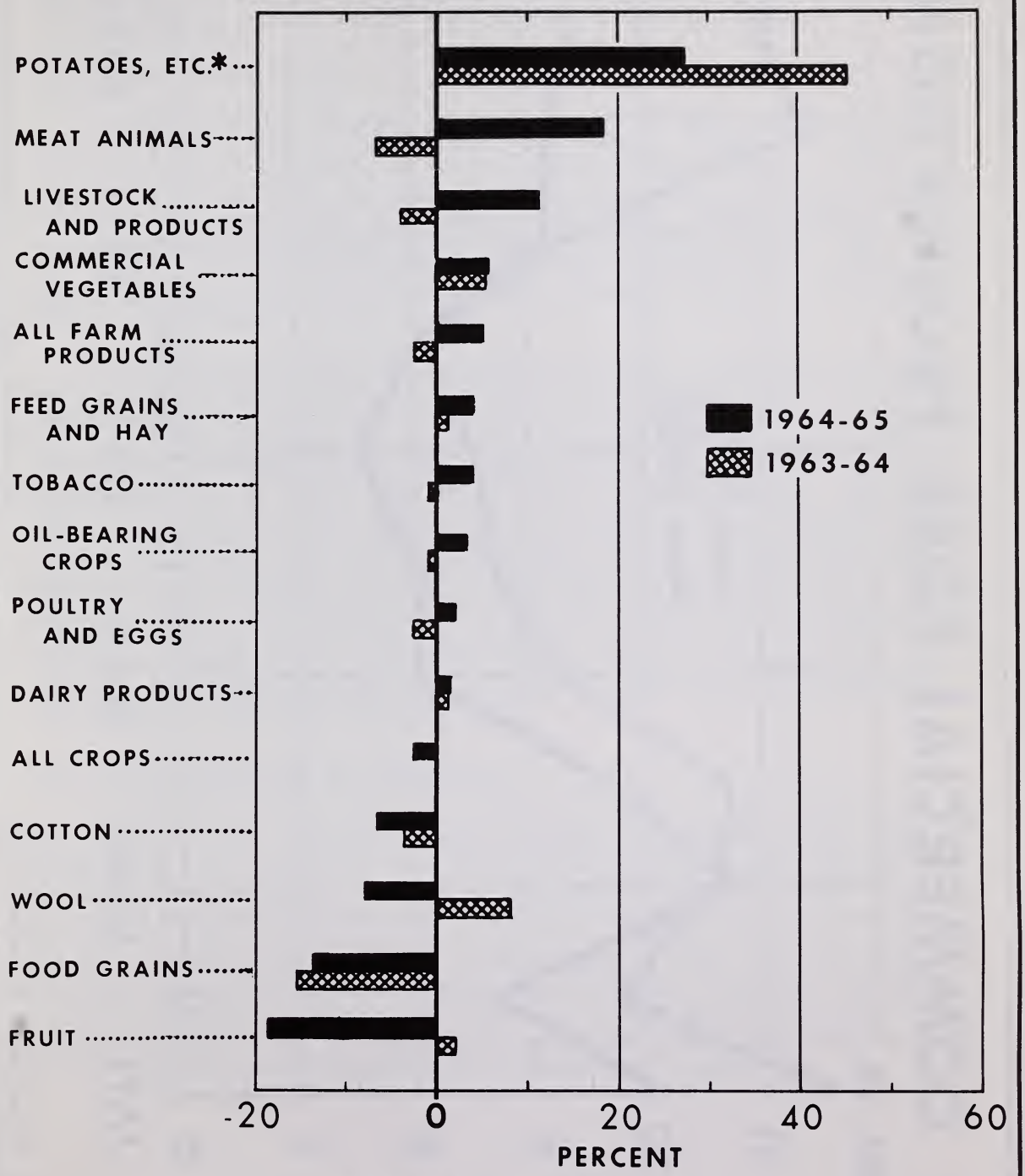
Prices of most livestock products are expected to continue strong in the first part of 1966. Meat supplies are expected to continue relatively tight. Increased poultry supplies will be partly offsetting, but expanding domestic demand likely will sustain pressure on meat animal prices. During the last quarter of 1966, however, per capita supplies are expected to increase appreciably, especially if pork production turns up later this year.

The outlook for crop prices turned up at the end of 1965. This is especially true for wheat, feed grains, and soybeans. The wheat price outlook has improved with the mid-December authorization of expanded exports to India under P. L. 480. Soybean prices rose as poor harvesting weather reduced the expected crop and the demand for beans, oil and meal continued strong. Even though feed grain production was a record, domestic and export demand has continued strong and has bouyed up prices. Improved crop prices are expected to continue over the next several months.

Prices Paid Rise in 1965

The index of prices paid by farmers, including interest, taxes and wage rates averaged 321 (1910-14=100) for 1965, up $2\frac{1}{2}$ percent from 1964. This resulted in a parity ratio of 77, a 1 point improvement over the year before. The parity ratio adjusted for direct payments to farmers rose 2.5 percent to 82. Prices paid for family living rose 2 percent, somewhat more than the trend of recent years; while interest, taxes and wage rates continued to rise rapidly. Prices paid for production items were 276, up from 270 in 1964.

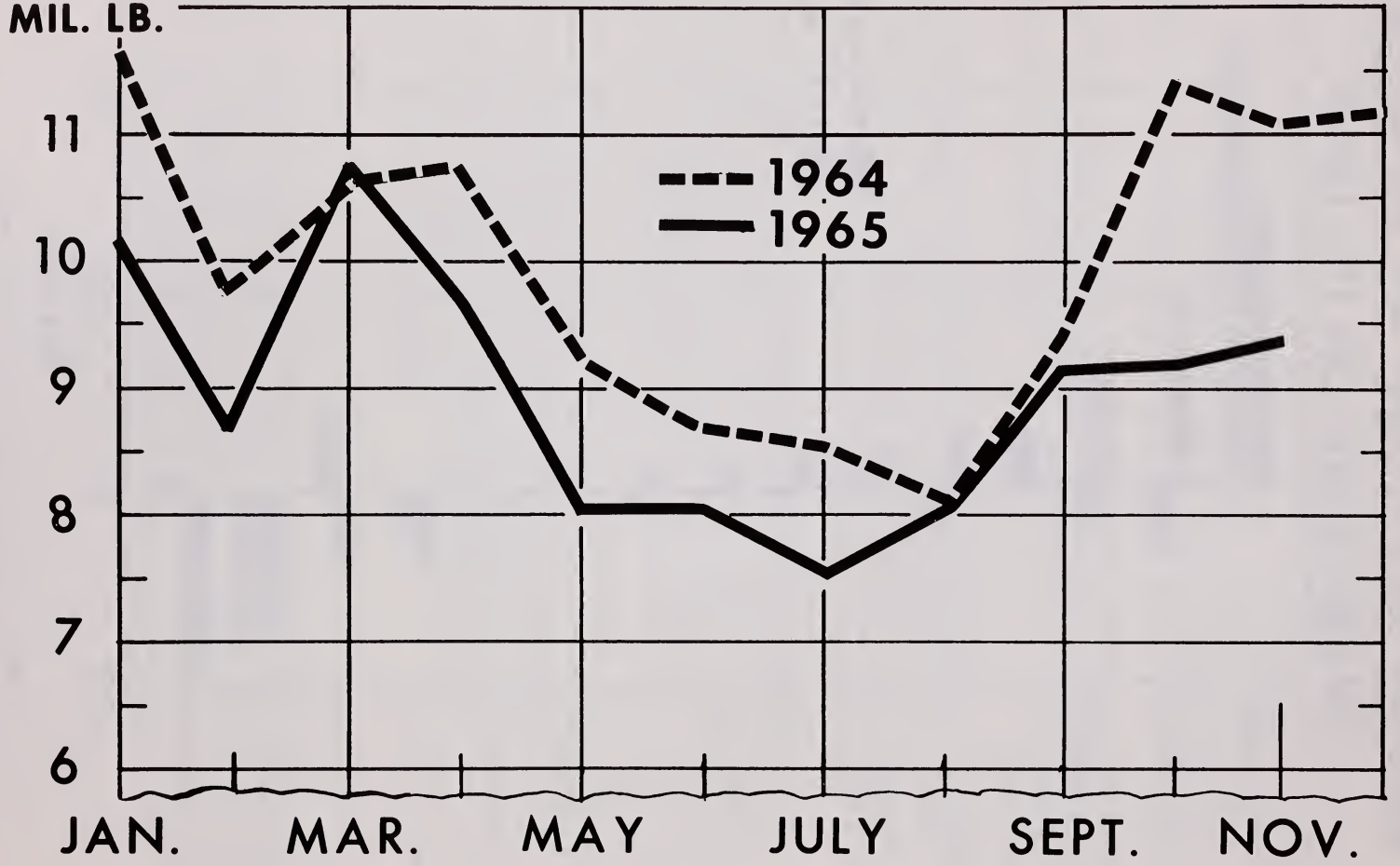
PRICES RECEIVED BY FARMERS INCREASED 5% IN 1965



*INCLUDES SWEETPOTATOES AND DRY EDIBLE BEANS.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 4176-66 (1) ECONOMIC RESEARCH SERVICE

COMMERCIAL PORK PRODUCTION



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 4217-66 (1) ECONOMIC RESEARCH SERVICE

About a third of the rise in the production items index came from feeder livestock, which rose to 344 (1910-14=100), after declining from 351 to 312 in 1964. The cost of feed also rose slightly. Farm machinery prices rose nearly 3 percent in 1965 and prices of motor vehicles were up over 2 percent. Interest payable on real estate debt increased about 13 percent.

Production Expenses Higher

Farm production expenses rose 3.7 percent in 1965, resuming a long-term upward trend interrupted in 1964. Two factors contributed to this increase -- increased prices and an increased quantity of inputs. Expenditures in 1965 for feeder and stocker cattle and calves, fertilizer, and seed inputs in 1965 were up over 1964 levels. The annual average number of hired workers continued to decline, but at a slower rate than in 1964. Wage rates are higher than in 1964 but the total wage bill is below a year earlier. Taxes, depreciation,and short and long-term interest charges are continuing their strong advance.

The relatively high level of cash farm income in 1965 has stimulated the demand for farm machinery. Cumulative value of wheel tractor shipments through the first 3 quarters of 1965 was some 20 percent above the comparable period of 1964. The value of shipments in October reached a record high of $86 million. Although part of the increase can be attributed to price increases, most of it results from an increase in numbers shipped. Exports in 1965 were at about the same level as a year earlier; hence, investment in tractors by farmers in 1965 likely surpassed the 1951 record level. Shipments of other farm machines through the third quarter of 1965 ran 9 percent above the first 3 quarters of 1964, a rate about average for the past 3 years. This again points to a record level of farmer investment in farm machinery for 1965. Insofar as these machines replace less efficient and older items, repair and operation expenses in 1965 are not likely to increase from 1964 outlays. But, this increased stock of capital goods will increase depreciation charges in 1966 and following years.

Farm Output, Marketings and Employment

Total farm output reached a new high in 1965, up about $3\frac{1}{2}$ percent from both 1963 and 1964. Current estimates indicate an increase of more than 6 percent in crop production over 1964 when unfavorable weather reduced yields below the long-term trend level for a number of field crops. Feed grains and soybeans accounted for a large part of the increase in total production. Feed grain production was up 17 percent while soybean production was up 20 percent. But feed grain acreage was down about 1 million acres while the acreage of soybeans harvested rose by almost 4 million. Total harvested acreage in 1965 for all crops was up fractionally from 1964. The acreage of winter wheat planted for harvest in 1966 was estimated at 42.1 million acres, about 6 percent below the acreage for the 1965 crop.

Table 3.--Farm production: Index numbers of total farm output, gross production of livestock and crops, United States 1/
(1957-59=100)

Item	1962	1963	1964	1965 2/
Farm output	108	112	112	116
All livestock and livestock products 3/	107	111	113	112
Meat animals	108	114	116	112
Dairy products	104	103	104	104
Poultry and eggs	111	115	118	122
All crops 3/	107	112	110	117
Feed grains	100	110	97	113
Hay and forage	105	105	105	111
Food grains	98	102	114	117
Vegetables	108	108	106	112
Sugar crops	119	153	155	139
Cotton	121	125	123	122
Tobacco	134	135	129	110
Oil crops	123	128	129	155

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency," USDA Statistical Bulletin No. 233. 2/ Preliminary indexes for 1965 based on December 1965 "Crop Production" report and other releases of the Crop Reporting Board, SRS. 3/ Includes other products not included in the separate groups shown.

Economic Research and Statistical Reporting **Services.**

Total production of livestock and livestock products, according to preliminary estimates, was down about 1 percent in 1965. Meat animal production, especially due to about 11 percent lower pork production, was down about $3\frac{1}{2}$ percent in total. Poultry production, on the other hand, was up around 3 percent. Per capita supplies of red meats and poultry combined were down about 2.5 percent. Total farm marketings changed little from 1964 to 1965 as increased crop marketings about offset lower livestock marketings.

Trends toward fewer workers on the Nation's farms continue. During the December 19-25 survey week, about 4.2 million persons were in the farm work force; representing 3 percent fewer workers than for the same period a year earlier. Farm operators and non-wage family workers declined at a

faster rate -- down 4 percent from December 1964. The number of hired workers declined, too, to a new low of 772 thousand, which is 2 percent below a year earlier. The 1965 annual average number of all workers was 8 percent lower than in 1964 and 19 percent below the 5 year average.

The upward trend in farm wages continued in 1965 but more than in recent years. The 1965 annual composite hourly rate averaged 95 cents per hour, an increase of 5 percent over 1964. Hourly earnings in manufacturing industries, on the other hand, rose about 3 percent in 1965 to $2.61.

Consumer Demand

Consumer expenditures for food in 1965 totaled about $85 billion, an increase over 1964 of more than 6 percent. With incomes rising more than food expenditures, the percentage of income spent for food declined slightly in 1965 to 18.2 percent of disposable personal income.

Per capita food consumption in 1965, according to preliminary data, was down 1 percent from 1964. Per capita food consumption in 1966 is expected to be about the same as for last year. The expected decline in red meat consumption, as a result of reduced supply, will probably be offset by a sharp increase for poultry. Some further gains in per capita consumption of crops are likely in 1966.

Civilian food supplies and consumption will be held down slightly by expansion in military food procurement. But civilian population is expected to increase only 1.1 percent this year, July 1 basis, compared with a 1.3 percent increase last year. The increase in military food procurement has accelerated to build pipeline stocks and to take care of increased military requirements. The proportion of food going to the military in 1965 was up from the 1.9 percent in 1964, and a further gain is likely this year.

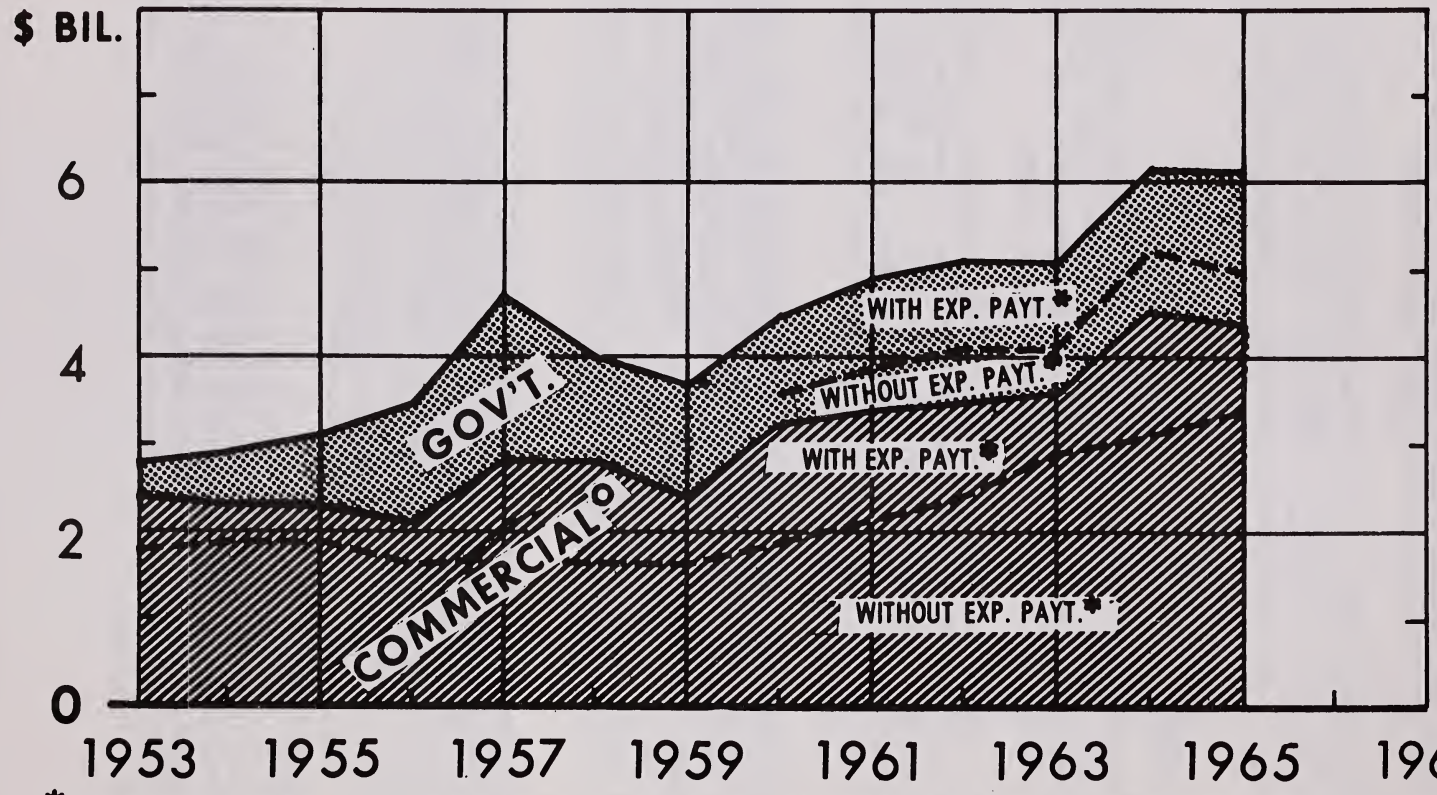
Domestic demand for nonfood farm products increased in 1965. Cotton consumption expanded mainly as a result of its improved competitive price position, general economic activity, and Viet Nam. Cigarette consumption is estimated 4 percent higher than in 1964 when use declined $2\frac{1}{2}$ percent below 1963.

Farm Product Exports

Present estimates indicate that 1965 was another good year for U. S. agricultural exports. Although the year as a whole was slightly below 1964, exports of soybeans, oilseed meals, vegetable oils, and feed grains showed significant increases and about offset declines in wheat, cotton, and certain vegetables.

U.S. AGRICULTURAL EXPORTS

Commercial, and Under Specified Government Programs With and Without Export Payment Assistance



*"EXPORT PAYMENTS" INCLUDE PAYMENTS IN CASH OR IN-KIND AND SALES FROM GOVERNMENT OWNED STOCKS AT LESS THAN DOMESTIC MARKET PRICES. DATA FOR EXPORT PAYMENTS UNDER GOVERNMENT PROGRAMS ARE NOT AVAILABLE BEFORE 1960. YEAR ENDING JUNE 30. °DOLLAR SALES.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 2493 X-65 (7) ECONOMIC RESEARCH SERVICE

Export prospects for agricultural products have become more favorable in recent months. During the period July-December agricultural exports totaled some 4 percent above a year earlier, and in coming months they are expected to continue above year-earlier levels. Expanding export markets for the grains, soybeans, and soybean products will more than offset the prospective decline in cotton exports from the 1964-65 marketing year. Expanding economic activity and rising incomes in the industrialized nations, particularly Japan, Canada and the nations of Western Europe, have increased the demand for livestock products and for food and fiber products in general. This has increased commercial markets for U. S. farm products. Major commercial exports apparently reflect to some extent international tensions associated with Viet Nam and other conflicts in Asia and Africa. Near-famine conditions in India and other countries of Southeast Asia may enlarge U. S. commitments of Food for Peace Programs.

United States cotton exports for the 1965-66 crop year are expected to total about 3.5 million bales, down from 4.1 million in 1964-65. The prospective decline in U. S. cotton exports this year primarily reflects a working down of cotton stocks in foreign free-world countries. This reduction is partly due to changes in the U. S. cotton program for the 1966-67 crop year.

Considerable uncertainty exists in the foreign trade situation for tobacco as a result of the unilateral declaration of independence by Rhodesia--a major producer of flue-cured tobacco for export. The United Kingdom and other countries--which have imported over 70 percent of Rhodesia's tobacco--have banned further purchases of tobacco from that country. Similar action now pending elsewhere would raise this figure to approximately 90 percent.

A record 7.6 million tons of feed grains were exported during October-December and prospects are good for record feed grain exports in the 1965-66 crop year and may be 20-25 percent above 1964-65.

Stocks of Grains and Soybeans

Total feed grain stocks in all positions on January 1, 1966 totaled around 163 million tons, up 4 percent from a year earlier, mainly as a result of a record crop. However, 1966 feed grain stocks were about 5 percent below 1963 and about 6 percent below the 1960-64 average level.

Total wheat stocks were down again on January 1, over 7 percent below last year and totaled about 1,340 million bushels.

Stocks of soybeans in all positions on January 1 were up over 17 percent from 1965, reflecting a record crop and a slower rate of marketings.

Table 4.--Stocks of grains and soybeans, January 1, 1966 with comparisons

Grain and position	January 1, 1964	January 1, 1965	January 1, 1966
	Mil. bu.	Mil. bu.	Mil. bu.
WHEAT			
On farms 1/	309.7	389.8	408.2
Off farms 2/	1,304.1	1,059.6	930.6
Total*	1,613.8	1,449.4	1,338.8
CORN			
On farms 1/	3,247.7	2,818.5	3,142.5
Off farms 2/	1,136.4	1,137.4	956.5
Total*	4,384.0	3,955.9	4,099.0
OATS			
On farms 1/	687.1	622.5	680.4
Off farms 2/	85.4	87.8	102.4
Total*	772.5	710.3	782.9
BARLEY			
On farms 1/	202.3	190.1	195.2
Off farms 2/	130.4	119.9	117.5
Total*	332.8	310.0	312.8
SORGHUM			
On farms 1/	190.8	156.3	215.0
Off farms 2/	833.1	797.6	774.9
Total*	1,023.9	953.9	989.9
SOYBEANS			
On farms 1/	261.3	191.7	284.5
Off farms 2/	297.5	334.8	334.5
Total*	558.8	526.5	619.0

1/ Estimates of the Crop Reporting Board.
2/ Including grain owned by Commodity Credit Corporation.

* Totals from unrounded data.

*** FACTORS AFFECTING DEMAND FOR FARM PRODUCTS ***

With the beginning of the new year the outlook continues to be optimistic for a sixth year of economic expansion. Economic growth is expected to continue in 1966 and increases in output, employment, and income probably will approximate last year's relatively large gains.

Last year ended with economic activity rising vigorously. Gross National Product advanced $13 billion in the fourth quarter to $695 billion (annual rate), bringing the average for the year to $676 billion. Thus, the level of final output in 1965 rose 7½ percent above 1964. This compares with a 6.7 percent rise in 1964 and 5.2 percent in 1963. Although prices advanced more than in recent years the rate of growth in physical output exceeded both the 1963 and 1964 rate. By almost any measure 1965 was a year of real economic growth and progress. With all major sources of demand expected to continue strong this year, the maintenance of economic growth with relative price stability will be one of the most important problems to be faced.

Production

The output of manufacturing, mining, and utility industries, as measured by the Federal Reserve Board's index of industrial production, rose over 8 percent during 1965 to 143.3 (1957-59=100). Gains in output were widespread with production of business and defense equipment, consumer goods, and materials advancing.

Production of business and defense equipment rose more than 11 percent to 146.8 (1957-59=100) during the last year reflecting substantial increases in investment spending by businesses, and stepped up military procurement as a result of the situation in Viet Nam. The gain in 1965 output was considerably larger than the 6.4 percent advance reported in 1964. Consumer goods output rose 6½ percent in 1965 to 140.3 percent of the 1957-59 average, slightly more than increases experienced in the preceding 2 years. Production of automotive products increased substantially reflecting strong consumer demand. Output of materials and supplies used in the production of durable and nondurable goods increased more than 8½ percent from 1964 to 1965. Production declined during the third quarter as a result of a drop in steel production following the labor settlement in that industry. However, production resumed its advance in the fourth quarter and it now appears that steel inventories have been adjusted to desired levels.

Employment and Income

Large gains in employment accompanied the increases in production during 1965. The number of persons employed last year averaged 72.2 million, an

Table 5.--Other economic factors affecting agriculture (seasonally adjusted annual rates)

Item	Unit	1964	1965				
		IV	I	II	III	IV	Year 1/
Gross national product	Bil. dol.	641.1	657.6	668.8	681.5	694.6	675.6
Personal income	Bil. dol.	507.1	516.2	524.7	536.0	546.0	530.7
Disposable personal income 2/	Bil. dol.	435.4	440.2	446.9	459.3	468.1	453.6
Personal consumption expenditures	Bil. dol.	405.9	416.9	424.5	432.5	440.1	428.5
Durable	Bil. dol.	57.9	64.6	63.5	65.4	65.4	64.8
Nondurable	Bil. dol.	180.9	182.8	187.9	190.5	194.8	189.0
Services	Bil. dol.	167.1	169.5	173.1	176.7	179.6	174.7
Personal saving	Bil. dol.	29.5	23.3	22.4	26.8	28.0	25.1
Net government receipts	Bil. dol.	129.4	136.0	138.4	134.7	---	---
Government purchases	Bil. dol.	128.6	131.3	133.5	135.4	139.6	135.0
Deficit or surplus (on income and product account)	Bil. dol.	.8	4.7	4.9	-.7	---	---
Gross private domestic investment	Bil. dol.	97.7	103.4	102.8	106.2	107.5	104.9
Fixed investment	Bil. dol.	90.2	94.6	96.4	98.6	100.5	97.5
Change in business inventories	Bil. dol.	7.5	8.8	6.4	7.6	7.0	7.4
Expenditures for plant and equipment	Bil. dol.	47.75	49.00	50.35	52.75 3/	54.85	3/51.83
Corporate profits (before taxes)	Bil. dol.	65.9	73.1	73.9	74.6	---	---
Net exports of goods and services	Bil. dol.	8.9	6.0	8.0	7.4	7.4	7.2
Balance of payments (on liquidity basis) 4/	Mil. dol.	-5,464	-2,836	968	-1,940	---	---
Total civilian employment 5/	Millions	70.7	71.3	71.9	72.4	72.9	72.2
GNP implicit price deflator	1958=100	109.6	110.0	110.8	111.2	111.7	110.9
Per capita disposable personal income (1958 prices)	Dollars	2,268	2,329	2,360	2,418	2,457	2,392

1/ Preliminary.
2/ Excludes interest paid by consumers and net personal transfers to foreigners.
3/ Estimates based on anticipated capital expenditures as reported by business.
4/ Equals changes in liquid liabilities to foreign official holders, other foreign holders, and change in official reserve assets.
5/ U. S. Department of Labor.

Departments of Commerce, Agriculture, and Securities and Exchange Commission.

increase of 1.8 million from the level the preceding year. Despite a large increase in the labor force in 1965 the average number of unemployed fell to 4.6 percent of the civilian labor force from 5.2 percent the previous year. By December the rate had fallen to 4.1 percent (seasonally adjusted), just short of the Administration's interim goal of 4.0 percent.

Primarily as a result of rising production, employment, and wage rates consumer income advanced $7 billion in the fourth quarter to $546 billion (annual rate). This brought the average for the year to $531 billion, almost 7.2 percent above the 1964 level. This compares with a 6.5 percent gain from 1963 to 1964. Although over two-thirds of the gain from 1964 to 1965 came in wage and salary disbursements by business and Government, other components of personal income also showed marked increases. This is especially true of Government transfer payments to persons, personal interest income, farm proprietors' income, and dividend payments.

Although total personal income payments increased more rapidly in 1965 some of the increase was absorbed by larger tax payments. Accordingly, consumer income after taxes increased 6.8 percent in 1965 compared with an increase of almost 8 percent during 1964. On a per capita basis, disposable income rose almost 5½ percent in 1965.

Consumer, Government, and Investment Demand

Consumers typically adjust their expenditures for goods and services in response to changes in disposable income. Rising income after taxes throughout 1965 led to substantial increases in purchases of goods and services. Spending in the fourth quarter increased over $7.6 billion from the third quarter level of $432.5 billion, which pushed the average for the year almost 7.4 percent above the 1964 level. Spending for durables, nondurables, and services all increased during 1965. Within the durable group, spending for automobiles and parts showed a 16 percent gain compared with 6 percent in 1964. Some of this large increase over 1964 can be attributed to the auto strike near the end of the year which delayed some purchases until early 1965.

Government spending for goods and services at the Federal, State, and local level increased $4.2 billion in the fourth quarter of 1965 to a $139.6 billion annual rate and continued increases are in prospect this year. In 1965 expenditures increased $6.6 billion to $135.0 billion, which was slightly more than the 1964 rise. State and local expenditures for goods and services increased about $5 billion, slightly more than the average of recent years. Federal spending for goods and services rose approximately $1½ billion to $66.7 billion. More than half the increase took place in the final quarter and expectations point to a continued rise this year. The expected increases stem primarily from spending plans for fiscal 1967 reported in the President's budget message. This budget contains a reappraisal of the current fiscal year and requests for the fiscal year beginning July 1, 1966. There are three measures of Federal receipts and expenditures in common use: (1) Administrative budget receipts and expenditures, (2) the consolidated cash statement of Federal transactions, and (3) the Federal sector of the national income and product accounts.

Table 6.--Federal receipts and expenditures in the national income accounts, 1958-67

(Fiscal years in billions of dollars)

Description	Actual								Estimate	
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
RECEIPTS, NATIONAL INCOME BASIS										
Personal tax and nontax	36.3	38.2	42.5	43.6	47.3	49.6	50.7	51.2	54.8	60.5
Corporate profits tax accruals	17.8	21.5	22.3	20.3	22.9	23.6	25.3	27.0	29.3	31.1
Indirect business tax and nontax accruals	11.6	11.9	13.2	13.3	14.2	15.0	15.6	16.8	15.9	16.5
Contributions for social insurance	12.2	13.8	16.7	18.1	19.9	22.1	23.6	24.6	28.8	34.1
EXPENDITURES, NATIONAL INCOME BASIS										
Purchases of goods and services	50.7	54.7	52.7	55.5	60.9	63.4	65.8	64.5	70.7	74.4
Transfer payments	19.5	21.6	22.4	25.6	27.2	28.6	29.6	30.3	34.2	39.2
Grants-in-aid to State and local Governments	4.7	6.2	6.8	6.9	7.6	8.4	9.8	10.9	12.8	14.7
Net interest paid	5.7	5.9	7.0	6.8	6.8	7.5	8.1	8.6	9.0	9.7
Subsidies less current surplus of Government enterprises	2.5	2.4	2.3	3.2	3.8	3.6	3.8	4.1	4.3	4.7
SURPLUS (+) OR DEFICIT (-) NATIONAL INCOME BASIS	-5.1	-5.5	+3.5	-2.7	-2.1	-1.2	-1.9	+1.2	-2.2	- .5

Source. Actual data for 1958-65 are based on the quarterly estimates published by the Department of Commerce. Data for 1966 and 1967 are based on estimates by the Bureau of the Budget in cooperation with the Department of Commerce.

Administrative budget expenditures in fiscal year 1967 are estimated at $112.8 billion, an increase of $6.4 billion over 1966. However, receipts are also expected to rise sharply holding the deficit to $1.8 billion compared with $6.4 billion in fiscal 1966.

Although this measure of expenditures and receipts is a useful one, the national income and product accounts are better suited for analyzing the direct impact of Federal fiscal activity on the Nation's current flow of income and output. It is estimated that expenditures in the Federal sector of the income and product accounts (table 6) will reach $142.7 billion in fiscal 1967 compared with $131.0 billion now indicated for the fiscal year ending June 30, 1966. Receipts are expected to continue to grow in fiscal 1966 and 1967 primarily as a result of the rising level of economic activity. In addition, proposed tax changes reinstating some excise taxes and establishing a graduated withholding system would supplement revenues. Nevertheless, budget plans indicate a deficit of $0.5 billion in fiscal 1967 compared with a deficit of $2.2 billion in 1966.

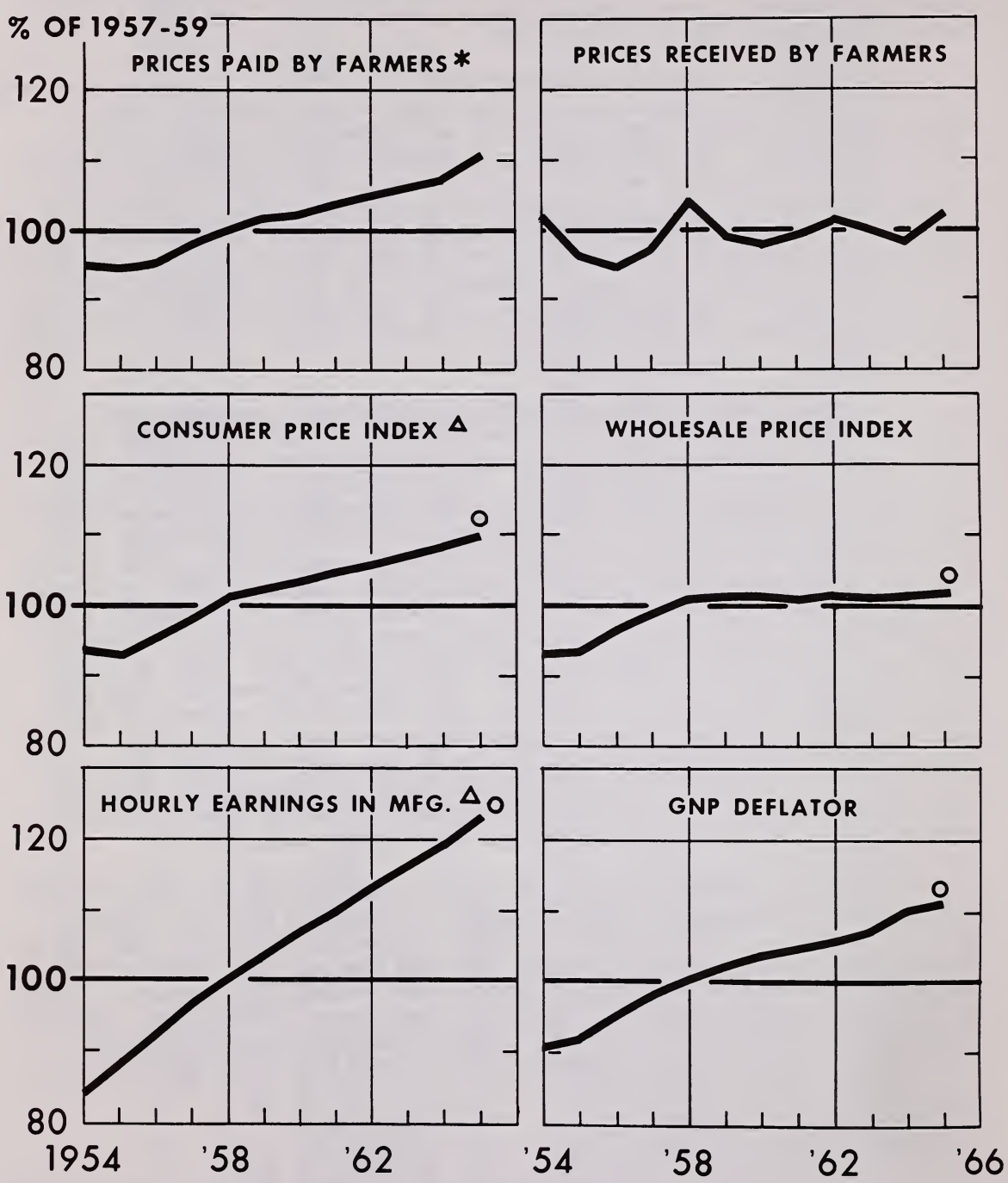
Business fixed investment--including new plants, machinery, and equipment--continued strong in the final quarter of 1965 rising $1.9 billion to $100.5 billion (annual rate). This brought the average for the year 11 percent above the 1964 level. Expenditures for producers' durable equipment and nonresidential structures both advanced about 15 percent from 1964 to 1965. The outlook for nonresidential investment spending in 1966 continues to be favorable. New orders received by manufactures on a seasonally adjusted basis, a key guide to future output, continued to rise in the closing months of 1965. The most recent OBE-SEC survey of investment plans indicates that capital goods spending will reach $58.8 billion (seasonally adjusted annual rate) in the second quarter of 1966. This would be 17 percent above the second quarter of 1965. A 20 percent increase is expected in spending in manufacturing industries and a 15 percent increase in nonmanufacturing. Outlays for residential structures fell in the fourth quarter and for the year were virtually unchanged from the 1964 level of $27.5 billion. However, private housing starts, on a seasonally adjusted basis, were rising at the end of the last year indicating some possible improvement in residential construction activity in coming months.

Inventory investment continued in the fourth quarter of 1965 although the rate of accumulation declined compared to the third quarter. Almost $7.0 billion was added to inventory levels in the fourth quarter compared to $7.6 billion in the previous quarter. For the year as a whole, inventory investment was considerably higher than in 1964 reflecting, in part, a build up in steel inventories in anticipation of the possible strike last September. In addition, sales rose throughout the year resulting in inventory-sales ratios that were virtually unchanged compared with the two preceding years.

Prices, Money Supply, and Interest Rates

Last year marked the first year since 1958 that the level of wholesale prices showed any appreciable movement. The BLS wholesale price index reached 103.6 (1957-59=100) in the fourth quarter of 1965, raising the average for the

MAJOR PRICE MOVEMENTS



* INCLUDES COMMODITIES, INTEREST, TAXES AND WAGE RATES.

△ CONSUMER PRICE INDEX, NEW SERIES BEGINNING 1964. HOURLY EARNINGS IN MFG., REVISED BEGINNING 1964.

○ 1965 ESTIMATED BY ERS. SOURCES: U.S. DEPARTMENTS OF AGRICULTURE, COMMERCE AND LABOR.

year 2.0 percent above the 100.5 recorded in 1964. Between 1958 and 1964 the highest yearly level of the index was 100.7 in 1960 and the lowest was 100.3 in both 1961 and 1963.

Increases in farm prices accounted for roughly two-tenths of the 2.0 percent gain in overall wholesale prices from 1964 to 1965. Prices for farm products in wholesale markets declined 9.0 percent between 1958 and 1964 contributing to the stability of overall wholesale prices during that period. During 1965 a strengthening in livestock products prices pushed farm product prices for the year well above the 1964 level. Prices for food at the processing level increased about 4 percent during 1965, considerably more than in recent years. Roughly three-tenths of the increase in total wholesale prices between 1964 and 1965 was accounted for by price increases for processed foods.

Prices of industrial commodities rose during 1965 but less than prices for farm products and processed foods. The index for commodities other than farm products and food rose 1.3 percent from 101.2 in 1964 and accounted for approximately five-tenths of the increase in aggregate wholesale prices. The largest increases were for nonelectrical machinery and equipment, nonferrous metals, hides and skins, and fuels.

As the economy makes fuller use of its resources the danger of price pressures increase. Maintaining economic growth with relatively stable prices will be one of the major problems to be faced this year since all major sources of demand are expected to continue strong. However, investment expenditures are expected to add substantially to productive capacity and a large increase is expected in the labor force. These factors should help to alleviate possible pressures on prices.

The Nation's money supply (currency plus demand deposits) continued to grow during 1965 and in December was 4.8 percent above a year earlier at $167.4 billion. This was slightly higher than the gain from 1963 to 1964. In addition, time deposits grew faster in 1965 than in the preceding year. Along with rising demand and time deposits, bank reserves rose over 5 percent between December 1964 and December 1965. Due to fractional reserve requirements, which permit a multiple expansion of bank credit and deposits, the banking system was able to increase its loans and investments 10 percent to $294 billion as of last December. Nevertheless, the banking system also had to increase their borrowing from Federal Reserve Banks and liquidate some of their holdings of U. S. Government securities in order to satisfy increasing demand for credit. As a result of these forces, interest rates for all types of maturities (short and long) rose during 1965.

Due to the fact that the discount rate was out of line with market conditions and the outlook for continued strong demand for bank credit, the Federal Reserve Board announced an increase in the rate from 4 to 4½ percent effective December 6, 1965. According to the Board the increase was not intended to reduce the present pace of credit flows but to dampen mounting demands on banks for further credit extensions that might add to inflationary pressures. At the same time the maximum rate that member banks are permitted

to pay their depositors was increased to 5½ percent on all time deposits and certificates of deposit having a maturity of 30 days or more. This increase was intended to permit banks to attract and retain deposits of businesses and individuals and thus to make more effective use of savings funds already in the economy. Neither rate had changed since November 24, 1964.

*** BALANCE OF PAYMENTS ***

Preliminary estimates indicate that the U. S. balance of payments deficit (liquidity basis) 1/ narrowed substantially in 1965, possibly to one-half the 1964 deficit of $2.8 billion. For the first 9 months of 1965 the deficit was $1¼ billion (seasonally adjusted annual rate) compared with $1.9 billion during the same period in 1964. The deficit through the first three quarters of last year was financed by a reduction in U. S. official reserve assets of $1¼ billion (liquid liabilities to foreigners were unchanged).

Much of the reduction in the balance of payments deficit reflects cooperation of banks and other corporations with the President's voluntary program, announced on February 10, 1965, to improve the balance of payments. To a large extent, voluntary cooperation with this program resulted in a sharp reduction in net outflows of U. S. private capital. Short-term capital--both bank and nonbank--accounted for a large part of the reduction in private capital outflows, changing from an outflow of over $2.0 billion (annual rate) during the first 3 quarters of 1964 to an inflow of over $1.0 billion during the same period in 1965. Some of the beneficial effect of the reduction in short-term capital flows was offset by larger direct investments abroad by U. S. corporations. Although they declined during the course of the year there was evidence that plans for this year were at a high level. Consequently, decisions were announced in December 1965 to reinforce and renew existing programs for 1966. These included new guidelines for direct investments for nonfinancial corporations.

1/ In the past, the Department of Commerce measured the balance of payments under two bases: (1) Regular transactions basis, and (2) liquidity basis. The Review Committee on Balance of Payments Statistics recommended dropping the regular transactions concept and adding a new balance based on official reserve transactions. For a full description of these three concepts see "The Balance of Payments Statistics of the United States, A Review and Appraisal," Government Printing Office, April 1965.

Table 7.--Foreign transactions of the United States, 1963-65

(Billion dollars, seasonally adjusted annual rates)

Item	1963	1964					1965		
	Year	I	II	III	IV	Year	I	II	III
Receipts from foreigners, exports of goods and services	32.4	36.3	36.0	37.3	38.4	37.0	34.7	40.4	40.1
Payments to foreigners	32.4	36.3	36.0	37.3	38.4	37.0	34.7	40.4	40.1
Imports of goods and services	26.4	27.5	28.2	28.5	29.5	28.5	28.6	32.4	32.7
Transfers to foreigners, net	2.8	2.7	2.9	2.7	2.7	2.7	2.6	2.9	2.8
Personal	.6	.6	.5	.5	.6	.6	.6	.6	.6
Government	2.2	2.1	2.3	2.1	2.1	2.2	2.0	2.3	2.2
Net foreign investment	3.2	6.1	4.8	6.1	6.2	5.8	3.5	5.1	4.6
U. S. Government capital, net 1/ 2/	1.7	1.1	1.4	1.7	2.3	1.6	1.5	2.1	1.1
U. S. private capital, net	4.5	5.3	5.4	6.3	8.9	6.5	6.2	1.5	3.3
Foreign capital, net 2/	-.7	-.5	-.3	-.7	-1.2	-.7	-1.4	.2	1.0
Errors and unrecorded transactions	.4	1.2	.6	1.2	1.7	1.2	3/	.3	1.1
Balance of payments (on liquidity basis)	-2.7	-1.0	-2.3	-2.4	-5.5	-2.8	-2.8	1.0	-1.9

1/ Includes all outflows of Government capital not included in Government transfers to foreigners.

2/ Includes some special Government transactions.

3/ Less than $0.05 billion.

U.S. Department of Commerce and Council of Economic Advisers.

Net Exports of Goods and Services

Preliminary estimates of exports of goods and services placed the 1965 level at $39.2 billion compared with imports of $32.0 billion. The resulting balance of $7.2 billion represents a decrease of almost $1.5 billion from the 1964 level. The merchandise trade balance, which makes up the largest part of net exports of goods and services declined from 1964 to 1965 reflecting: (1) Strike activity affecting international transportation and a slowdown in economic growth in some countries during the first half of the year; (2) a high level of steel imports during the strike threat period; and (3) overall growth in import demand related to growth in domestic output. The merchandise trade balance is the difference between exports, which are valued F.A.S. (freight alongside ship) domestic ports, and imports, which are valued F.O.B. (free on board) foreign ports. Almost all of the deterioration in the trade balance was in the nonagricultural sector since the agricultural trade balance was unchanged from 1964 to 1965 at around $2 billion.

*** CURRENT COMMODITY SITUATION ***

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Prices of all livestock rose in 1965 and by the end of the year prices of cattle, hogs and lambs were averaging well above year-earlier levels. Higher prices developed in 1965 because total red meat production declined about 3 percent during the year and the demand for meat strengthened. Consumer incomes rose at an above-average rate, unemployment levels were reduced and the population grew 1.3 percent. Prices of livestock are expected to continue strong in the first half of this year since further increases are likely in the demand for meat and red meat production probably will be down a little from January-June 1965.

Fed cattle prices averaged $26.70 the first three weeks in January (Choice steers at Chicago). This was about the same as in October-December 1965, but $2.50 above the first quarter average a year earlier. Fed cattle prices probably will continue around current levels or a little higher through the first half of 1966. An increase in fed beef production is in prospect, but not enough to offset the price strengthening effects of less pork, higher incomes, and larger population.

There were 5 percent more cattle and calves on feed in 32 major feeding States on January 1 than at the beginning of 1965. Corn Belt feeders reported 4 percent more while cattle feeders in the Western States had 7 percent larger inventories. Feeders reported intentions to market 4 percent more cattle out of feedlots during January-March than in these months a year earlier. This volume could be marketed, since the number on feed weighing more than 700 pounds was up 7 percent from a year earlier. Lighter weight cattle were up 3 percent. Thus, larger marketings of fed cattle are expected in the first half of 1966, but prices are expected to continue strong.

Hog slaughter is expected to continue at a reduced level through mid-1966 because the June-November 1965 pig crop was down 5 percent. However, the margin in slaughter under the same months of 1965 will narrow toward mid-year. Thus, hog prices this spring likely will average well above 1965 levels when barrows and gilts at 8 markets averaged $20.43 per 100 pounds live weight during April-June.

Hog slaughter rates will begin to go above year-earlier levels during the summer months and then stay above for the rest of the year. Higher slaughter rates are in prospect for the second half of 1966 because of the 7 percent increase expected in the December 1965-May 1966 pig crop. The pig crop during these months will supply the bulk of the slaughter hogs during July-December this year.

Hog producers are expanding output in response to favorable hog prices. The hog-corn price ratio averaged 23.4 in October-December last year -- a new record for this time of year.

Hog prices are expected to weaken in the second half of 1966 when the effect of the current expansion is felt. Price prospects for producers remain bright for 1966. However, the size of the current expansion will determine the size and the pattern of the price adjustment late this year and in 1967.

Dairy Products

Milk production during 1965 is estimated at 125.5 billion pounds, 1 percent below the 1964 record. During the last quarter of 1965 production fell 3 percent below year-earlier levels. First quarter 1966 output continues below a year earlier. Milk cow numbers are declining, and percentage gains in output per cow are smaller than averages of the past decade. For October-December, output per cow showed the smallest year-to-year gain since 1951. Production per cow has been below a year earlier in a number of North Central and Western States, due mainly to below-average forage and grain quality.

The main impact of the 1965 decline in milk production was on butter and nonfat dry milk output, which fell 7 and 8 percent, respectively. About 3 percent more milk was used for frozen products, 1 percent more

for fluid milk, and about the same for cheese in 1965 and in 1964. Some further decline from 1965 is likely for butter production in 1966, as fluid products and cheese production gain. January-October 1965 sales of fluid whole milk were about 1 percent above year-earlier levels in major urban marketing areas.

U. S. farm milk prices averaged $4.25 per 100 pounds in 1965, 7 cents above 1964. During the last quarter of 1965, prices averaged 9 cents above a year earlier because of increased domestic commercial use and reduced output. However, foreign demand for U. S. dairy products was sharply below a year earlier.

Wholesale butter prices in late December fell seasonally from 64 cents per pound at Chicago to 59 cents and have remained near the support level since then as production increased seasonally to about commercial requirements. Wholesale cheese prices at Wisconsin assembly points advanced to 42.8 cents per pound in mid-December, about 6½ cents above the support level, and remained at that level during January.

Manufacturing milk prices are seasonally above the support level of $3.24 per 100 pounds, while prices for milk eligible for fluid uses are moving downward seasonally, as increasing output raised market supplies above use for fluid milk. However, first quarter 1966 prices received by farmers are expected to average above year-earlier levels. USDA support levels in marketing year 1966-67 (April-March) will be announced before April 1.

Rising commercial demand and decreased marketings from a year earlier indicate that first quarter 1966 CCC purchases (delivery basis) of dairy products under the price support program will total sharply below the 2.9 billion pounds, milk equivalent, purchased in January-March 1965. In calendar 1965 CCC purchases (delivery basis) and PIK exports of dairy products (net after 35 million pounds butter and 4 million pounds nonfat dry milk, domestic sales), were 241 million pounds of butter, 49 million pounds of American cheese, and 1,098 million pounds of nonfat dry milk. This totaled 5.7 billion pounds milk equivalent, about 5 percent of production.

Total stocks of manufactured dairy products at the beginning of 1966 were about 4.4 billion pounds milk equivalent, about 0.9 billion below a year earlier. The drop was both in CCC and commercial holdings of butter and cheese and commercial stocks of evaporated milk. USDA bought margarine in December and January for donation to needy families and charitable institutions, because of reduced butter stocks and low prospective CCC purchases.

Retail prices of dairy products were slightly above a year earlier during last quarter 1965. They are expected to be about ½ percent above a year earlier in first quarter 1966.

Smaller overseas demand and reduced supplies available for programmed export dropped 1965 dairy exports below those of a year earlier. During the last quarter of 1965 exports of nonfat dry milk under the Payment-in-Kind program were 40 million pounds compared with 101 million a year earlier. For the entire year exports of nonfat dry milk, excluding foreign donations from CCC stocks, were about 400 million pounds, about half of those in 1964. Export sales of butter also fell substantially below 1964 and are expected to be negligible in 1966.

Poultry and Eggs

Demand for poultry expanded vigorously in 1965. Early in the year broiler and turkey prices advanced sharply to levels well above a year earlier. Poultry producers responded by rapidly expanding production. Commercial chicken and turkey slaughter, up only 2 percent above a year earlier in the first 6 months, jumped to 9 percent higher in the second half. Recent hatchery activity indicates that production will continue to advance over the next several months. Placements of broiler chicks in 23 States in the 13 weeks ended January 22 were 13 percent above a year earlier. All of these will be marketed before the end of the first quarter. Turkey hatcheries produced 2 million more poults in the last 4 months of 1965 than in the like 1964 period.

Underlying the strength in demand for poults was reduced pork production, which held combined per capita supplies of red meat and poultry to below year-earlier levels. Rising consumer incomes and continued population growth also contributed to the sharp advance in demand for poultry. Rising employment brought income gains to lower income groups who tend to spend a large share of their earnings for food. In addition, increased military procurement in recent months has supplemented the generally strong demand for food. These factors are expected to continue enlarging poultry demand throughout the first half of 1966. However, in the second half broilers will face stiffening competition from rising supplies of red meat, especially pork. If broiler production continues 10 to 15 percent above year-earlier rates, second half prices likely would average under July-December 1965.

Poultry production expanded rapidly after mid-1965, dampening the rise in poultry prices. First half farm broiler prices averaged 15.2 cents per pound, 1.2 cents above a year earlier. In the second half, they averaged 15.0 cents, only 0.5 cent above a year earlier. However, prices again rose sharply in the first half of January, but the increase was not sustained. In Delmarva, prices advanced about 6½ cents per pound to a peak of 22½ cents on January 17 and then receded to about 17½ cents on February 1. At the high point, the Delmarva quotation was 5 cents above a year earlier and highest since March 1958.

The broiler and turkey industries appear to be preparing to further step up production in the second half of 1966. Increased placements of pullet chicks in November and December as well as in earlier months indicate that next July's breeder flock will be up about 10 percent from July 1965. Turkey breeding flocks have also expanded. The buildup in hatchery supply flocks will greatly increase the output potential after midyear. In January, turkey growers indicated plans to raise 7 percent more turkeys in 1966 than the 104.7 million in 1965.

Egg production in 1965 totaled 180 million cases, up slightly from 1964. However, population growth, greater use of eggs for hatching and military procurement of dried egg solids are combined to lower per capita civilian egg supplies by 1 or 2 percent from 1964. Supplies tightened as the year progressed and this, together with the increase in prices of other high-protein foods, led to a sharp rise in egg prices to producers. Farm prices rose from an average of 33.8 cents per dozen the third quarter to 38.5 cents in the fourth quarter. In January 1966, the farm price averaged 37.5 cents per dozen, down seasonally from 40.9 cents in December but up 6.6 cents from the extremely depressed level of January 1965.

Civilian egg supplies are likely to remain tight at least through early spring. Egg production in the first half likely will run below a year earlier and use by the military and for hatching will continue larger. The Nation's laying flock on January 1 contained 306 million layers, down 1 percent from a year earlier. The flock contained older birds, kept in production longer because of relatively high egg prices of recent months. Consequently, more culling appears likely in coming months. Compared with a year ago, the rate of lay may rise some during the first half, but an offsetting reduction in the number of layers points to little change in production.

Hatchings of replacement chicks have increased above a year ago since last summer. This is in response to the higher egg prices and the trend toward hatching flock replacements the year around. Larger hatchings are expected to continue over the next several months and to restore the size of the Nation's laying flock to year-earlier levels by late summer. The influx of new layers may also raise the rate of lay. Therefore, egg production in the second half likely will be rising above year-earlier production rates.

Wool

World wool prices began making a major recovery in the last half of 1965, after trending downward since early 1964. Late 1965 prices generally showed a 10-15 percent increase over the second quarter 1965, and were about equal to fourth quarter 1964 levels. Only moderate further price advances are expected in 1966. Commercial stocks of wool are now well above 1964 levels and price competition from non-cellulosic fiber prices will hinder additional advances in the world price of wool. The price strengthening in late 1964 resulted mainly from an increase of 2 percent in the rate of world consumption during the second quarter and a further 2 percent increase in the third quarter. Moreover, world production of grease wool was down about 3 percent in the 1965-66 marketing season.

United States wool prices will likely be up slightly this year. The 1965 average shorn wool price received by U. S. producers is expected to average about 47.6 cents per pound, grease basis. Monthly farm prices remained unusually stable in 1965, ranging from 47.1 to 48.0 cents per pound. Strength increased in world wool prices and U. S. mill consumption of wool during the last half of 1965 likely prevented most of the usual decline in year-end domestic prices.

U. S. apparel wool mill use in 1966 will likely total the 1965 level of about 270-275 million pounds. Consumption in 1966 is expected to continue high because of continued expansion in general economic activity and a low ratio of inventories to unfilled orders of finished apparel fabrics. The ratio is now at its lowest level since data became available in 1960.

Imports of apparel wool textile products during 1965 totaled a record of over 81 million pounds. This estimate is based on the first 10 months of imports being up 33 percent and from the total of 61.3 million pounds imported in 1964. This will exceed the record of 72.5 million pounds imported in 1963. Imports for nearly all categories will be higher. Imports of woven fabrics, the largest category, were up 27 percent; imports of wool blankets and knit fabrics rose over 60 percent; and those of tops and advanced wool are up 159 percent.

Dutiable raw wool imports during 1966 are expected to total 140-145 million pounds, clean content. This would be substantially less than the 155-160 million pounds expected in 1965, but up from the 98 million pounds in 1964. Imports in 1966 are likely to fall behind 1965 levels because of an apparent buildup in U. S. stocks of raw wool.

Mill use of carpet wool in 1966 is estimated at around the 1965 level of about 112 million pounds, scoured basis. However, this would be down from 122 million pounds in 1964 and would be the least since 1951. Consumption of carpet wool has been declining because of relatively high prices and increasing competition from man-made fibers. Lower prices for carpet wool during 1965 and possibly in 1966, however, may hold 1966 consumption at the 1965 level. Imports, at the same time, may exceed consumption levels resulting in a buildup in stocks.

CROPS

Wheat

The total supply of wheat in 1965-66 is estimated at 2,147 million bushels, based on the December estimate of the 1965 crop. This estimate placed production at 1,327 million bushels, 36 million above the 1964 crop. Although the marketing year is half over, there is more than the usual uncertainty regarding exports. Through December, total exports of wheat and flour were at about the same level as the first half of 1964-65--nearly 400 million bushels. This rate of exports may be slightly higher in the second half of the marketing year. It now appears that wheat utilization (domestic use plus exports) in the 1965-66 marketing year will exceed the 1,375 million bushels in 1964-65 as well as the 1965 crop resulting in a further decline in the carryover of wheat.

Because of the heavy demand, prices of the major classes of wheat at the principal markets have remained well above the applicable price support levels. The prices of hard wheats at Kansas City and Minneapolis were more than 20 cents per bushel over support in late January compared with 10 to 15 cents over support a year earlier. The loan rate for 1966-crop wheat will remain at $1.25 per bushel, although producers participating in the 1966 program will receive larger marketing certificate payments than were made under the programs of the two preceding years. The value of the domestic marketing certificate purchased by flour millers and other processors of wheat for food remains at the 1965-66 level of 75 cents per bushel in 1966-67.

The acreage of winter wheat for harvest in 1966 was placed at 42.1 million acres, about 6 percent below the acreage seeded for the 1965 crop. The indicated yield per acre for 1966 is up substantially from a year earlier and the resulting crop is estimated at 1,059 million bushels. A winter wheat crop of this size would be 35 million larger than that of 1965 and about 70 million above the 5-year average. These estimates do not include the spring wheat crop, to be planted soon, which totaled 280 million bushels in 1965 and averaged about 200 million during 1959-63.

Feed Grains

The total feed grain supply for 1965-66 of 217 million tons, is 9 million more than last year, but 5 million below the 1959-63 average. This included the record 1965 crop of 161 million tons and a carryover of a little under 56 million, 14 million less than a year earlier. Allowing for the heavy domestic use in the first quarter of the 1965-66 feeding year, total use for 1965-66 is expected to be around 3 or 4 percent above the 130 million tons in 1964-65. A record 7.7 million tons of feed grains were exported during October-December and the total for the current marketing year may be 20 to 25 percent above a year earlier. The stocks of the 4 feed grains on January 1 totaled close to 163 million tons, about 6 million above a year earlier, but 10 million below the 1960-64 average. Based on present prospects, the total utilization of feed grains is now expected to about equal the record 1965 production, and carryover may be near the 56 million tons at the beginning of the marketing year.

The 1965-66 corn supply of 5,342 million bushels was 4 percent larger than in 1964 but about 3 percent below the 1959-63 average. The heavy utilization of corn in prospect for 1965-66 is expected to nearly equal the record crop of 4,171 million bushels which would result in very little increase in corn stocks next October 1 from the 1,170 million bushels carried over a year earlier. The sorghum grain supply of a little over 1,232 million bushels is 8 percent larger than a year ago. Total utilization for the year may about equal the record 1965 crop. The 1965-66 oat supply is 4 percent larger than last year while the barley supply is 4 percent smaller.

Prices received by farmers for feed grains advanced 11 percent from November to January when they averaged close to those in January 1965. Prices of each of the 4 feed grains were above the 1965 loan rates in January which will tend to limit the amount of grain placed under the price support program. The increase in feed grain prices this winter apparently has been largely the result of a strong domestic and export demand with relatively small market receipts of corn, which have more than offset the effect of the record 1965 harvest.

The larger stocks on corn in January 1, especially "free" corn, will tend to limit further advances in feed grain prices this spring. During October-January, corn prices averaged 4 percent lower than in the same period of 1964-65. The average price received by farmers for corn was $1.14 per bushel in January, close to the level a year earlier and 9 cents above the 1965 loan rate. Corn prices in many areas have advanced to or above the minimum CCC sale price. CCC sales of corn for domestic use and export, which were quite small during October-December, increased sharply during January. Sorghum grain prices averaged 7 percent below a year earlier during October-January this year. Barley prices during July-January averaged 8 percent above the year before while oat prices were little changed.

Under the provisions of the Feed Grain Program for 1966, as announced by the Secretary of Agriculture, total price supports for 1966-crop feed grains will be a little higher than in 1965, as in the case of corn, up from $1.25 to $1.30 per bushel. The loan rate for corn, however, was reduced 5 cents to $1.00 per bushel, while the price support payments were increased from 20 cents to 30 cents per bushel. Farmers will again be required to divert at least 20 percent of their base acreage to be eligible for participation in the program and may divert as much as 50 percent. Yields used in computing production for price support and acreage diversion payments have been changed from an average yield to a projected yield. Acreage diversion payments will be made only on the acreage diverted between 20 and 50 percent of the base acreage. The price support payment will be made on the projected production on 50 percent of the farmers base acreage. The program again provides for substitution between wheat and feed grains. The signup period for the program in most areas will be February and March.

Oilseed, Fats and Oils

The total supply of soybeans for 1965-66 is placed at 873 million bushels compared with 769 million last year. The increase results from the record 1965 soybean crop which more than offset smaller starting stocks on September 1, 1965. For the entire season, crushings are now estimated at around 10 percent above a year ago. Soybean exports likely will total 10 to 20 percent above 1964-65. Carryover stocks of soybeans on August 31, 1966, are expected to be small but somewhat larger than that of last August 31.

This marketing year crushing demand is greater than last because (1) stocks of soybean oil and soybean meal continue at low levels; (2) domestic use of soybean oil is greater due to smaller lard and butter supplies; (3) soybean

meal exports are up sharply; (4) oil and meal yields per processed bushel of beans are lower; and (5) processing margins have been at the highest level since 1948.

Soybean prices (No. 1 yellow, Chicago) rose from a seasonal low of $2.49 per bushel in October 1965 to $2.83 in January 1966, reflecting record crushing and export demands and also greater farm storage of the 1965 crop than in 1964. During September-January 1965-66, prices averaged $2.64 per bushel compared with $2.82 for the same period a year ago. Soybean prices at Chicago are expected to continue strong in 1966. By the end of January, No. 1 yellow soybeans at Chicago averaged about $2.90 per bushel compared with $3.05 the year before.

Exports of edible fats and oils during the 1965-66 marketing year likely will not differ greatly from the 5.1 billion pounds (including the oil equivalent of soybeans), shipped abroad last year. Record soybean exports heavy shipments of edible oils are expected to offset reductions in lard and butter exports.

During October-December 1965, soybean oil prices (crude, Decatur) were relatively stable at 11.3 cents per pound compared with 11.7 cents the year before. Prices have fluctuated considerably in January and late in the month were 11.8 cents per pound, about the same as January 1965. Cottonseed oil has exhibited a similar price trend. This recent increase in the edible oil price level results from the close balance between oil supply and demand this year. As a result of the record soybean crush, stocks are expected to buildup seasonally into spring.

Fruit

Prospective supplies of fresh and processed citrus fruits for the first half of 1966 are larger, those of deciduous fruits generally smaller, than a year earlier. Even though demand for fruit is strong, grower prices for the increased supplies of citrus fruits are below a year ago. In contrast, grower prices for the lighter supplies of apples and pears are up. Also, retail prices for the heavier supplies of citrus juices are down, while those for the reduced supplies of canned deciduous fruits are generally up.

During fall and early winter, growing conditions for the 1965-66 U. S. citrus crop have been good to excellent. As a result, prospective production is now somewhat larger than seemed likely last fall. The new citrus crop, as forecast January 1, was expected to be about 10 percent larger than the 1964-65 crop and 14 percent above average. However, freezing temperatures occurred in Florida on January 30 and 31. Preliminary appraisal indicates that actual loss of fruit is not great, but may result in a shift in utilization. For the 3 leading fruits, production increases over last season are as follows: Oranges, 9 percent; grapefruit, 12 percent; and lemons, 18 percent. In mid-January, on-tree supplies of each fruit were moderately larger than a year earlier.

The larger 1965-66 citrus crops point to increased output of principal processed citrus items in the current season. By early January, the new Florida packs of canned grapefruit sections and major canned single-strength citrus juices were running larger than a year earlier. Output of frozen orange concentrate was below a year earlier but is expected to gain moderately over last season as processing continues this winter and spring. With the increased carryover stocks of packers last fall, total supplies for 1965-66 are likely to be up substantially.

Year-end cold storage stocks of fresh apples and pears were smaller, those of grapes larger, than comparable stocks on January 1, 1965. In mid-January, grower prices for fresh apples were generally slightly to moderately higher than a year earlier, those for pears were moderately higher, but those for grapes were down substantially. The 1966 Florida winter crop of strawberries, now being harvested, is expected to be about a third lighter than the heavy 1965 crop, mainly because of the smaller acreage. The full effect of the freeze of January 30-31 is not known at this time. Prospective spring crop acreage is a little larger than in 1965.

Year-end stocks of canned deciduous fruits probably were moderately smaller than the volume on January 1, 1965. Cold storage stocks of frozen deciduous fruits and berries also were down somewhat, while those of dried prunes and raisins were up considerably. The 1965 pack of canned fruits was about a sixth below the record 1964 pack, mainly because of sharp decreases in canned peaches, pears, and cherries, and a moderate reduction in fruit cocktail. Output of frozen deciduous fruits and berries also was down in 1965, but that of dried fruit was up.

Commercial Vegetables

Fresh: Total supplies of fresh vegetables probably will be smaller this winter than last because of bad weather in all major areas. Potential output in Texas, California, and Arizona is down from a year ago because of excessive rainfall; output in Florida will be reduced by January frosts. Early reports indicate marketings of the more tender items such as snap beans, peppers, escarole, and tomatoes will be affected for at least several weeks. Supplies of cabbage, lettuce, and carrots are expected to be moderately to substantially below the heavy supplies of a year earlier. Prices for most commodities are expected to average relatively high into late winter.

U. S. domestic production will be supplemented by imports from Mexico where an increase in available supplies is likely this year. Supplies of tomatoes, the most important item, may be up substantially over last year. Increases also are indicated for cantaloups, watermelons, cucumbers, snap beans, and squash.

Processed: Total canned vegetable supplies available for marketing into mid-1966 are moderately smaller than a year earlier, although about the same as the recent 5-year average. Stocks of canned snap beans, peas, and kraut are larger than a year ago, but supplies of other major items

are smaller. Canned sweet corn stocks are down substantially, and lima bean stocks are extremely light. The aggregate supply of tomatoes and tomato products probably is considerably below the heavy supply of a year earlier, and a little below average. Total frozen vegetable stocks on January 1 were substantially above a year earlier. Holdings of frozen peas, baby limas, carrots, and mixed vegetables were up sharply, and stocks of asparagus, sweet corn, and cauliflower were up substantially. Cold storage stocks of all other principal frozen items were smaller than a year ago.

Prices for most canned items in early 1966 were averaging well above year-earlier levels. However, markets for a few commodities were under pressure. Snap bean prices were running moderately below year earlier levels in the Midwest and East. Pea and kraut prices have been slipping, with mid-January quotations a little below those of last year. And markets for several tomato items have weakened because total supplies were above earlier expectations. Although overall frozen supplies are up from a year ago, only a few commodities are in relatively heavy supply. Markets have been strong, with prices slightly to moderately above year-earlier levels. Because of burdensome stocks, however, frozen pea prices were down sharply.

Potatoes and Sweetpotatoes

Total supplies of potatoes for marketing during the winter and early spring are record large. The 1965 production of fall-crop potatoes, most of which are stored for later sale, was 24 percent above the short crop in 1964. Although disappearance has been unusually rapid, storage stocks on January 1, 1966 amounted to 123.3 million hundredweight compared with 95.2 million a year earlier. Stocks in the East were moderately smaller, but those in the Central and Western States were much larger than a year earlier. The 1966 winter crop, although accounting for only a small portion of the total available supply, is up 46 percent from last year and a third above average. Since supplies during the next several months are heavy relative to trade needs, pressure on prices is likely.

Sweetpotato production in 1965 was 17 percent larger than in 1964, and supplies remaining for winter and spring marketing appear to be considerably heavier than a year earlier. Prices to growers during the rest of the current season are expected to continue sharply below those of a year earlier.

Dry Beans and Peas

Supplies of dry beans during the 1965-66 marketing season were materially below last season, and the smallest since 1957-58. Carryover stocks were relatively light, and 1965 production was down from a year earlier because of adverse growing conditions. With supplies tight, prices this season have been the highest in many years. Markets are expected to continue strong into summer.

Supplies of dry peas this season also were well below those of last season. Although 1965-crop yields were record high, producers harvested about a fourth fewer acres than in 1964, and production was down 15 percent.

Movement to both domestic and export outlets has been heavy, and markets have strengthened. Prices are expected to continue considerably above the low prices of a year earlier.

Cotton

U. S. mill consumption of cotton during the current marketing year (August-July) is expected to total about 9.5 million bales (9.3 million of upland cotton). This is up from 1964-65 consumption of 9.2 million bales and would be the largest use since 1952-53. Consumption is being stimulated this year by an expansion in general economic activity and a high level of consumer demand for textiles and by increasing use of textiles by military forces.

U. S. cotton exports during the 1965-66 crop year are expected to total about 3.5 million bales, down from exports of 4.1 million in 1964-65. The prospective decline in U. S. exports this year from a year earlier primarily reflects a working down of cotton stocks in foreign free-world countries. This reduction is partly due to changes in the U. S. cotton program for the 1966-67 crop year. Production and consumption of cotton in foreign free-world countries are expected to show little change this year from a year earlier.

Based on these estimates for mill consumption and exports, U. S. carryover of all kinds of cotton on August 1, 1966, is expected to total a record 16.5 million running bales (16.3 million of upland cotton). This estimate compares with actual stocks of 14.3 million on August 1, 1965. The previous record-high carryover was 14.5 million bales in 1956 (14.4 million of upland cotton).

The 1965 crop of all kinds of cotton was placed at 15,004,000 running bales as of December 1. This is about 1 percent below the 1964 crop of 15,148,000 bales but 3 percent above the 1959-63 average. Of the 1965 total, upland cotton accounts for 14,920,000 running bales, only slightly lower than the 1964 crop of 15,031,000 bales.

Large U. S. production in 1965 resulted from record-high yields. These occurred despite erratic growing conditions over much of the cotton belt due to adverse weather and insect damage; conditions in a few States, primarily in the Southwest, generally were more favorable than the previous year.

As a result, a national average yield of 531 pounds of lint cotton per harvested acre is indicated. This is 14 pounds above the previous high in 1964 and 67 pounds above the 1959-63 average.

Demand for cotton textiles increased and imports of those products rose to record-high levels during 1965. For January-November 1965, imports, on a raw cotton equivalent basis, totaled 698,200 bales. This was 20 percent above the same period of 1964 and 8 percent above the previous high of 645,500 bales for all of calendar 1962. Imports for 1965 probably exceeded exports, smallest since 1940, by the equivalent of almost 400,000 bales. This was about double the record-high import balance of 201,100 bales in 1963.

Tobacco

Cigarette consumption by U. S. smokers in 1965 is estimated at about 532 billion--4 percent more than in 1964 when cigarette use declined $2\frac{1}{2}$ percent below 1963. The 1965 consumption is estimated to have increased $1\frac{1}{2}$ percent above the previous high in 1963. Cigarette consumption seems likely to gain gradually in 1966 but higher retail prices in a number of States that boosted their tax rates on cigarettes will be a retarding influence. Cigarettes now manufactured and packaged in the United States (or imported) for distribution in this country, or to its armed forces located outside of the United States, are required to carry a health warning on the package. This requirement, provided for by legislation enacted in July 1965, went into effect January 1, 1966.

The 1965 consumption of cigars and cigarillos by U. S. smokers is estimated at 8.8 billion, 3 percent below the 1964 record but 21 percent above 1963. In 1966, assisted by rising consumer incomes, cigar and cigarillo consumption seems likely to increase modestly.

Output of smoking tobacco for pipes and roll-your-own cigarettes in 1965 totaled around 73 million pounds--12 percent less than the 10-year high in 1964 but above 1963 and 1962. The 1965 output of chewing tobacco is estimated at about 65 million pounds, 2 percent below the 5-year high set in 1964. Snuff production in 1965, near 30 million pounds, was down about 4 percent to a long-time low. The long-standing Federal excise tax (amounting to 10 cents per pound) on smoking tobacco, chewing tobacco, and snuff ended December 31, 1965.

Calendar 1965 exports of unmanufactured tobacco (usually an outlet for about a fourth of U. S. production) were 9 percent below 1964. The drop was chiefly due to smaller shipments to the United Kingdom, largest U. S. market. Considerable uncertainty has been injected into the foreign trade situation for tobacco by the unilateral declaration of independence by Rhodesia--a major producer of flue-cured tobacco for export. The United Kingdom and other countries--which together have been markets for over 70 percent of Rhodesia's tobacco--have banned further purchases of tobacco from that country, and similar action now pending elsewhere would raise this figure to approximately 90 percent.

The 1965-66 total U. S. supply of flue-cured tobacco--the leading cigarette and export tobacco--is down 4 percent from the 1964-65 level. Marketings in 1965--smallest in 8 years--improved substantially in quality over previous years and prices received by growers averaged about a tenth higher than in 1964. Far less flue-cured was placed under Government loan in the 1965 season than in each of the 3 previous seasons. In 1966, for the second year, flue-cured tobacco is under the new acreage-poundage program. The 1966 national flue-cured marketing quota has been set at the same level as for 1965. Though the national quota is unchanged, marketings in 1966 are expected to be larger than in 1965 because growers who marketed less than their quota in 1965 are entitled, under the program, to make this up during the 1966 marketing season. Those who overmarketed in 1965 will have the excess deducted from their 1966 marketing quotas. However, undermarketings were significantly larger than overmarketings.

Total supply of burley for 1965-66 is a little below the 1964-65 record. Marketings of the 1965 crop were virtually completed by January 28. The general quality was better than in the previous season. Prices for gross sales averaged 66.9 cents per pound, about $6\frac{3}{4}$ cents above the year before and highest on record. About 7 percent of deliveries went under Government loan. In the 1964 season, 18 percent of the crop went under loan, and in the 1963 season, the proportion was 27 percent.

A referendum will be held March 10 in which burley growers will decide between continuation of the present acreage allotment program and an acreage-poundage program. If more than two-thirds of the farmers voting favor the acreage-poundage program, it will be in effect for the 1966, 1967, and 1968 crops. Otherwise, the acreage allotment program will remain in effect.

The 1965-66 supply of Kentucky-Tennessee fire-cured tobacco is up slightly over 1964-65 but the current supply of Virginia fire-cured is down a little to a new low. The 1965-66 supply of dark air-cured is a little below 1964-65, but that of sun-cured is up some from a year earlier.

For the season through January 31, auction prices of Virginia fire-cured, type 21, averaged 7 percent below the record high of a year earlier. Auction markets for Kentucky-Tennessee fire-cured, types 22 and 23, opened January 18 and January 17, respectively. Through January 31, type 22 averaged 42.9 cents a pound, compared with 41.0 cents a year earlier; type 23 averaged 40.6 cents compared with 38.5 cents a year earlier. Regular auction sales for dark air-cured types One Sucker and Green River, and for Virginia sun-cured ended during the last third of January. Prices of One Sucker averaged a little below a year earlier, but the price average of Green River was up some. The auction average of Virginia sun-cured was 4 percent below the previous year.

The 1965-66 supply of Maryland tobacco is record high due to a sharp increase in carryover. Auctions for the 1965 Maryland crop are scheduled to begin April 12, 1966. The overall support level for 1965-crop Maryland tobacco is 52.8 cents a pound--one-half cent above 1964.

The 1965-66 supplies of Pennsylvania and Ohio cigar tobacco are lowest in several years. Supplies of Connecticut Valley binder for 1965-66 are at a new low; those of Wisconsin binder are somewhat larger than a year earlier, with the rise occurring in the Northern Wisconsin type. The 1965-66 supplies of cigar wrapper are up a little due to a gain in Connecticut Valley shade-grown.

Government price support is mandatory for tobacco produced under marketing quotas. The 1965 crop price support levels are 1 percent above 1964. Calculated in accordance with the legal formula, 1966 price supports for the kinds of tobacco produced under marketing quotas would be up about 2 percent from 1965 levels.

U. S. Department of Agriculture
Washington, D. C. 20250.

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. Department of Agriculture

NOTICE

If you no longer need this publication, check here ☐ return this sheet, and your name will be dropped from the mailing list.

If your address should be changed, write the new address on this sheet and return the whole sheet to:

Division of Administrative Services (ML)
Office of Management Services
U. S. Department of Agriculture
Washington, D. C. 20250.

DPS-107 FEBRUARY 1966

The Demand and Price Situation is published February, May, August, and November.

The next issue is scheduled for release May 10, 1966.